HEALTH SECTOR DEVELOPMENT PROGRAM
MATERNAL AND CHILD HEALTH CARE COVERAGE

(PE-0146)

EXECUTIVE SUMMARY

Borrower and guarantor:	Government of Peru	
Executing agency:	Ministry of Health (MINSA)	
Amount and source:	Phase One:	
	IDB: (OC)	US$ 87 million
	Local:	US$ 38 million
	Total:	US$125 million
	Phase Two:	
	IDB: (OC)	US$50 million
	Local:	US$22 million
	Total:	US$72 million
Financial terms and conditions:	Amortization period:	25 years
	Disbursement period:	3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, under the Single Currency Facility

Objectives: The general objective of the program is to support the gradual modernization and reform of the health care system in Peru, in order to improve the state of health of the population through expanded access to effective, efficient, and quality health care services. The program is oriented toward solving the population's main health problems: maternal and child morbidity and mortality.

The specific objectives are:

a. To lower maternal and child morbidity and mortality rates by eliminating economic, physical, and cultural obstacles that keep impoverished and vulnerable populations from using maternal and child health services.

b. To reinforce public health efforts, mainly in the area of communicable disease and environmental health, as well as epidemiological surveillance.

c. To support the development, initiation, and pursuit of sector policies that make it possible to target public spending to vulnerable groups and cost-effective interventions.

d. To develop new models of organization, management, financing, and service delivery oriented toward increasing the productivity and efficiency of sector resources.

e. To help MINSA to strengthen its leadership capabilities and guidance of the sector.

Description: Health care reform is understood as a broad-based process that will be supported by the IDB, the World Bank, and other agencies. To foster this long-term process (which will require systematic and sustained support), the IDB will use the multiple-phase loan modality. Although the reform program has well-defined, long-term objectives, two kinds of actions will be undertaken in order to achieve them: specific, short-term actions whose implementation will be used to confirm policies, and design activities for long-term structural changes. The program proposed in this document will support phase one of the reform, which consists of launching a program of maternal and child health care coverage (SMI) to eliminate the economic and sociocultural barriers that impoverished populations encounter, and developing proposals and validating new institutional policies and structures. Once 75 percent of the loan's resources have been disbursed, and the targets agreed upon as triggers have been met (see Annex I-1), a second loan in the amount of US$50 million will be processed. This second phase will focus on introducing and consolidating the new policies, and extending new forms of organization, financing, management, and service delivery. In order to maintain the integral character of the reform efforts, the program was prepared as a whole, and the banks' financing was divided among the departments of the country.

The three-year program to be supported by the loan proposed here aims at addressing needs that cannot be postponed with respect to fighting maternal and child morbidity and mortality, through the design and introduction of medium- and long-term strategies for modernizing and reforming the health sector. The program's strategy is based on using the improvement in maternal and child services as the driving force in the process of modernizing this sector. In this respect, most of the program's resources will support activities aimed at improving access to and the quality of basic services, by financing

the SMI and extending related care services. Nonetheless, in order for the effects of this improvement in basic health care to become lasting and effective, advances must be made in the process of modernizing the sector, by developing new financing policies, and through institutional and organizational change.

In accordance with this strategy, the program comprises three components:

Improvement of personal and public health care services (US$98.3 million). The objective of this component is to improve the health conditions of the population. The following will be financed: (a) the SMI, an integral strategy for financing and providing health care services that seeks to eliminate the economic and sociocultural barriers to maternal and child health care services that prevent mothers and children of limited means from using those services, while at the same time promoting improvements in the quality of those services; (b) health care for widely dispersed populations, through adapting the SMI, in pilot projects, in areas where population density and physical access to services are extremely low; (c) strengthening public health efforts, including controlling communicable diseases and promoting environmental health, and (d) investments in infrastructure and equipment to ensure response capacity on the part of institutions upon introduction of the SMI and other priority interventions. During the second phase, coverage will be extended to 100% of the target population, by which time the government will have assumed all the operating costs of maternal and child health care coverage.

Development of policy instruments (US$2.6 million). The objective of this component is to support the planning, introduction, evaluation, and pursuit of new policy instruments that make it possible to target public spending to maternal and child care and other priority interventions, and to the most impoverished and vulnerable populations. Technical assistance will be financed for: (a) development of a proposal for new mechanisms for mobilizing and allocating financial resources to ensure sustainability, efficiency, and equity public spending on interventions targeting the most impoverished groups; and (b) development of a proposal for strategies and mechanisms to increase the coverage of independent workers with the ability to pay through the system of social contributions, and the introduction of pilot programs. These proposals will be implemented during the second phase of the program. This component will also finance the planning and introduction of a proposal for public health efforts in the context of epidemiological transition, which will cover the entire population regardless of their ability to pay.

Institutional modernization (US$4.9 million). The objective of this component is to start the process of modernizing organizations in the sector, in order to increase the productivity, efficiency, and quality of services, and adapt them to the priorities of the sector. The program will be finance: (a) the restructuring of MINSA, in order to reinforce its leadership and guidance; (b) strengthening of MINSA's epidemiological surveillance system, mainly in areas of maternal and perinatal mortality and communicable disease, and (c) the process of transforming public institutions into more flexible and productive organizations, by extending community involvement mechanisms in the management of those institutions. The restructuring of MINSA will occur during the second phase of the program, in parallel with the deepening of the process of transformation of public-sector health facilities.

Program administration (US$2.7 million). The program's activities will be implemented through MINSA's line agencies, and coordinated and administered by a coordinating unit the function of which will be to ensure congruity and quality in implementing the activities described above.

Relationship of project in Bank's country and sector strategy:

The planned actions are consistent with the Bank's strategy for the country's social sectors, the objectives of which are to support government efforts to expand coverage and to set up efficient systems for providing and financing services (Peru country paper, GN-1992-1).

Environmental and social review:

The program will have a positive environmental impact. The civil engineering work contemplated in the program will be directed mainly toward rehabilitating existing infrastructure and, therefore, it is estimated that its impact on the environment will be minimal. Nonetheless, the standards for rehabilitating the health care institutions include instituting waste management systems. Additionally, the environmental health subcomponent will prepare communities for disinfecting water and food, and finance consulting and management training services for environmental health and risk management. The social impact of the program is described below.

Benefits:

Health impact: The main benefits of the program relate to reducing morbidity and mortality among mothers and children. Once the SMI is fully implemented at the national level (at the end of the fifth year), the increase in health care coverage for pregnant women will result in 900 fewer deaths each year and a reduction in maternal mortality from 265 to 128 per 100,000 live births. In turn, the increase in coverage for children under the age of four years will result in 23,400 fewer deaths annually, helping to reduce child mortality rates from 59 to 49 per 1,000 live births.

Economic impact: This is a program of highly cost-effective actions that will help increase the efficient use of resources in the sector, targeting spending to cost-effective interventions. In addition to directing this spending toward financing cost-effective services, the reform process will improve efficiency in allocating resources as well as the internal efficiency of the system.

Social impact: In addition to preventing the death of pregnant women, the program will also generate additional significant social and economic impacts. By eliminating economic, physical, and sociocultural barriers to health care services, the SMI will prevent losses of life, productivity, and capacity in the current generation of mothers, and in the future generation of children.

Through its economic and social impact and targeting strategies, this project will create the conditions for greater social equity both in the gradual distribution of the State subsidy and strategies for providing health care services.

Risks:

Excessive demand for services. The demand generated by the SMI may exceed the response capacity of the services in less developed areas. In order to mitigate this risk, the program includes a phase for creating the conditions needed for the delivery of quality services in each area. Additionally, the currently low productivity rate indicates the presence of idle capacity that can be trained to meet demand in the short term.

Implementation capacity. As in any program of this type, which requires the involvement of multiple and varied players, there is an implicit risk relating to the capacity for implementation and coordination. This risk is mitigated in various ways: by the gradual expansion of the SMI, which will give rise to the preparation and training interventions that must precede expansion; by support from the coordinating unit, which will build on experience obtained in implementing other projects with international financing; and by the commitment of the authorities.

Sustainability in the short and medium term. To achieve nationwide coverage of the SMI, which will be completed in the five years following program startup, means that as of 2005, the government will need to have increased spending on maternal and child services by approximately US$74 million annually, corresponding to a manageable 7.6 percent increase over the current public health care budget. Moreover, the loan includes the development of a proposal for new resource mobilization and allocation mechanisms for ensuring the program's medium-term sustainability.

Changes in the reform agenda. Implementation of the program will begin in the last year of this administration, which implies the risk of not counting on similar political support in the medium term. This risk is minimal in regard to the SMI, which enjoys broad consensus and support from all international donors. With regard to the other reform activities, the annual project reviews will serve as an opportunity for discussion and maintaining the program's focus.

Special contractual clauses:

Prior to the first disbursement:

a. Submission of the action plans for the seven departments covered in the first year of the program (see paragraph 2.11).

b. Creation and introduction of the Maternal and Child Health Care Coverage Unit (see paragraph 3.8).

c. Official establishment of the Program Investment Committee and entry into force of its operating regulations (see paragraph 3.10).

d. Arrangements have been agreed on for transferring loan proceeds to MINSA through a special foreign-exchange account (see paragraph 3.24).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Furthermore, this operation qualifies automatically as a poverty-targeted investment through its support for primary health care (see paragraph 4.8). The borrower will be using the 10 percentage points in additional financing.

Exceptions to Bank policy:

None.

Procurement:

The procurement of goods, works, and consulting services will be handled in conformity with Bank policy. International competitive bidding will be used for the procurement of goods and related services for amounts greater than US$250,000 and for construction work for amounts greater than US$3 million. Below those thresholds, bidding will be conducted in conformity with local legislation. Consulting services will be contracted out in conformity with Bank procedures. A tentative procurement schedule is attached to this document.